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Chicago Tribune

June 8, 2005

# BUSINESS



Parked cars occupy site at Lake and Stetson Streets where a 90-story tower will include a hotel and luxury condominiums. Tribune photo by Abel Uribe

# Mandarin Oriental hotel will check in

Site near Millennium;  
Ritz-Carlton for sale

By Thomas A. Corfman  
Tribune staff reporter

A venture that includes construction executive Gerard Kenny said Tuesday that it has a deal for a posh Mandarin Oriental hotel on a site near Millennium Park, part of a proposed 90-story tower that also will include luxury condominiums.

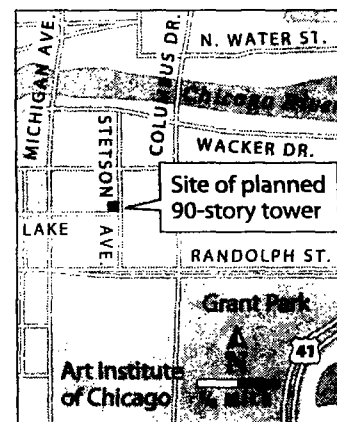
Meanwhile, the owner of the Ritz-Carlton at Water Tower Place said it would put up for sale the 435-room property, one of Chicago's best-known, high-end hotels.

The two deals reflect the renewed attention that inves-

tors are giving to a property sector that some experts say can offer higher returns than other real estate investments, such as office buildings or apartment complexes.

"Hotels are *the* place to be right now," said Arthur Busser, managing director of Jones Lang LaSalle Hotels, a unit of the Chicago-based real estate firm with the same name. "Your initial yield ends up to be double digits out of the box, and there is no other real estate you can do that with," he said.

The \$550 million Mandarin Oriental project will be located at Lake and Stetson Streets, but it will have an address of 215 N. Michigan Ave. because the site is part of the Illinois Center office com-



Source: ERSI

Chicago Tribune

plex.

At 887 feet, the skyscraper is expected to be the city's seventh-tallest tower when it is completed in 2008.

Hong Kong-based Manda-

rin Oriental International Ltd. has been looking for a Chicago property for at least eight years.

The project gives Mandarin an opportunity to "further strengthen our brand," said Edouard Ettedgui, chief executive of Mandarin, which has 21 hotels worldwide—six of them in the U.S.—and plans to open a Boston property in 2007.

A partnership controlled by Kenny acquired the vacant site in 1998, paying what seems now like a bargain price of \$4.4 million, according to property records.

But what looked at the time like a quick development deal dragged on, the result of sev-

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## **HOTEL:** Partnership contributing project site

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eral factors, including the downturn in hotel development after Sept. 11, 2001.

"The opening of Millennium Park made this thing go," said Kenny, a director with Kenny Construction Co., who spends most of his time on real estate development.

Generally low profile, Kenny was thrown into the spotlight in

1992, when his Wheeling-based firm managed the repair project for the Loop flood. His brother James, a former executive with the firm and a Republican fundraiser, was named ambassador to Ireland in 2003 by President Bush.

The partnership is contributing the 44,000-square-foot site to a joint venture that includes Frank Leo, an investor, developer and former New York printing company owner, said Kenny, whose firm will manage the construction.

The 1.2 million-square-foot project will include 300 condos and 250 hotel-condo units. An additional 50 condos, to be called Mandarin Oriental residences, will have the full benefit of the amenities of the hotel. The chain is known for its high level of service:

*'The opening of  
Millennium Park made  
this [hotel project] go.'*

Gerard Kenny, Kenny Construction Co.

A marketing firm has not yet been named, and Kenny acknowledges that sales will be key to arranging financing.

"The Mandarin name brings such a special presence to Chicago," he said.

Under the hotel-condo concept, rooms are sold as condominiums to private buyers, who allow the hotel to rent them out when the owners are not using them.

Kenny may hope the Mandarin project fares better than another hotel deal his firm was in-

volved in, the Renaissance Hotel near O'Hare International Airport.

The 362-room hotel was completed during the downturn in hotel business and was hurt by partnership disputes.

The property was sold last year at a substantial discount to its announced \$57 million cost.

"There's no comparison whatsoever," Kenny said.

As one of the city's newest luxury hotels moves forward, one of its most prominent hotels is going on the market.

Eastdil Realty Co. has been hired to market the Ritz-Carlton, said Patrick Meara, a senior vice president with Chicago-based JMB Realty Corp., which co-owns the hotel with Toronto-based Four Seasons Hotels Inc.

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